

Message Text

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ACTION NEA-10

INFO OCT-01 ISO-00 FEA-01 ERDA-05 AID-05 CEA-01
CIAE-00 COME-00 DODE-00 EB-08 FPC-01 H-01 INR-07
INT-05 L-03 NSAE-00 NSC-05 OMB-01 PM-04 USIA-06
OES-06 SP-02 SS-15 STR-04 TRSE-00 ACDA-07 PA-01
PRS-01 /100 W

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FM AMEMBASSY AMMAN
TO SECSTATE WASDC 1397
INFO AMEMBASSY DAMASCUS
AMEMBASSY JIDDA
AMEMBASSY ABU DHABI

C O N F I D E N T I A L AMMAN 2341

E.O. 11652 GDS
TAGS: ENRG JO
SUBJECT: JORDAN PETROLEUM REFINERY/STATUS AND PLANS

1. IN APRIL 23 CONVERSATION WITH SA'D TELL, GM
OF JORDAN PETROLEUM REFINERY COMPANY LTD, EMBOFF OBTAINED
FOLLOWING INFORMATION REGARDING REFINERY STATUS AND PLANS:

2. EXPANSION OF EXISTING REFINERY, AT ZARKA IS PRO
CEEDING ON SCHEDULE, WITH EXPANSION. REFINERY WILL HAVE
CAPACITY OF PROCESSING SOMEWHAT OVER 80,000 BARRELLS
OF CRUDE PER DAY, ALL OF WHICH IS TO ARRIVE IN JORDAN
VIA TAPLINE. PRODUCTION AS AT PRESENT WILL BE FOR
DOMESTIC CONSUMPTION ONLY EXPECT FOR SMALL QUANTITIES
PROVIDED ON AD HOC BASIS TO NEIGHBORING COUNTRIES IN
CASES OF TEMPORARY SHORTFALL OF PARTICULAR PRODUCTION. TOTAL
COST OF EXPANSION IS ESTIMATED AT \$210 M OF
WHICH ABOUT \$180 M WILL BE CAPITAL STRUCTURE AND
THE REST WORKING CAPITAL. EXPANSION IS BEING FINANCED
FROM INCREASED CAPITALIZATION OF COMPANY AND LOANS.
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WITH EXPANSION COMPLETED TELL EXPECTS REFINERY TO MEET
DOMESTIC CONSUMPTION NEEDS UNTIL ABOUT 1982. (EXPANSION
WHEN ORIGINALLY PLANNED WAS TO MEET DOMESTIC
NEEDS THROUGH 1985). TELL INDICATED ONGOING PLANS
TO MEET POST-1982 DEMAND WILL HAVE TO BE INITIATED
SOON.

3. TALK STILL CONTINUES ABOUT CONSTRUCTION OF SECOND REFINERY AT AQABA, BUT PLANNING HAS NOT REACHED EVEN PRELIMINARY STAGE. APPARENTLY ROMANIANS WHO WOULD ASSIST IN CONSTRUCTION OF SECOND REFINERY, MISINTERPRETED A SAUDI OFFER TO SUPPLY CRUDE FOR ANY NEW REFINERY AS OFFER TO SUPPLY CRUDE AT CONCESSIONAL PRICE. AT WORLD PRICE, TELL DOUBTS THAT REFINERY AT AQABA WOULD BE ECONOMICALLY FEASIBLE. HE NOW HAS UNDER VERY PRELIMINARY CONSIDERATION, THREE POSSIBILITIES FOR EXPANSION OF WHICH WILL BE NECESSARY BY 1983: EXPANSION OF EXISTING FACILITY TO MEET INCREASED DOMESTIC NEEDS ONLY, NEW FACILITY NEAR SYRIAN-JORDANIANS BORDER TO SUPPLY BOTH COUNTRIES AND EXPORT AS WELL, AND PROPOSAL TO BUILD NEW REFINERY AT AQABA IN COOPERATION WITH SAUDIS TO SUPPLY SOME JORDANIANS NEEDS, NORTHERN SAUDI ARABIA AND SOME EXPORTS.

4. SUDDEN INCREASE IN APPARENT DOMESTIC DEMAND FOR PETROLEUM PRODUCTS IN JORDAN DURING 1975 AND 1976, ACCORDING TO TELL ACTUALLY RESULTED FROM SMUGGLING INTO WEST BANK, WHERE PRICES WERE SUBSTANTIALLY HIGHER THAN ON EAST BANK AND INTO SYRIA. WHERE SUPPLIES WERE TIGHT. DOMESTIC PETROLEUM USAGE JUMPED 38 PC IN THE FIRST 6 MONTHS OF 1976 COMPARED TO THE JAN-JUN 75 PERIOD. HE ESTIMATED VERY INFORMALLY THAT AS MUCH AS 10 PC OF JORDANIANS PRODUCTION WAS SMUGGLED INTO SYRIA AND ANOTHER 10 PC PRODUCTION WAS MOVED INTO THE WEST BANK. DEMAND FOR PETROLEUM BY INCREASING

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TRANSIT TRUCK TRAFFIC THROUGH JORDAN DOES NOT CONCERN TELL. HE ROUGHLY ESTIMATED SUCH DEMAND AT ONLY ABOUT 5 PC OF PRODUCTION. INCIDENTALLY GOJ IS CONSIDERING IMPOSITION OF ROAD USAGE TAX ON TRANSIT TRAFFIC. TELL SUGGESTED JORDAN IS SOMEWHAT LIMITED IN ITS ABILITY TO RAISE REVENUES FROM TRANSIT TRADE BY RAISING PRODUCT PRICES DUE TO LOW PREVAILEY PRICES OVER THE IRAQI, SYRIAN AND SAUDI BORDERS.

5. RESPONDING TO QUESTION IF GOJ ADMINISTERED RETAIL PRICES FOR REFINERY PRODUCTION COVERED PRODUCTION COSTS PLUS SAUDI SUBSIDY, TELL SAID THAT THEY DID NOT AND HAD MENTIONED THIS PROBLEM TO GOJ RECENTLY IN VIEW OF INCREASING PRODUCTION WITHOUT INCREASING SUBSIDIES FROM SAUDI ARABIA.

6. TELL NOW HIRES ABOUT 15 PC MORE EMPLOYEES FOR THE REFINERY TRAINING PROGRAMS THAN HE ACTUALLY NEEDS

TO COMPENSATE FOR EXPECTED DEFECTION OF HIS EMPLOY
YEES TO SAUDI ARABIA AND THE GULF WHERE WAGES ARE CONSI
DERABLY HIGHER THAN IN JORDAN. PREVIOUSLY JORDAN
WAS ALLOWING FOR A 10PC RATE. IN
RECOGNITION THAT THE REFINERY LIKE OTHER ENTER
PRICES IN JORDAN ARE SERVING AS TRAINING CENTERS
FOR OIL RICH NEIGHBORING COUNTRIES AND RECOGNITION
THAT JORDAN CANNOT MATCH HIGHER WAGE RATES IN
OPEC, REFINERY IS UNDERTAKING \$500,000 EXPAN
SION OF ITS OWN TRAINING FACILITY EXPLICITLY TO
TRAIN JORDANIANS AND OTHER ARABS NOT ONLY
FOR JORDAN'S REFINERY BUT FOR THOSE OF THE REGION
AS WELL. REFINERY COMPANY HAS ALREADY TRAINED MORE
THAN 30 INDIVIDUALS FROM SAUDI ARABIA AND 18
FROM ABU DHABI AT EXISTING TRAINING CENTER, EXPENSES
IN FORMER CASE AT LEAST AT NO CHARGE. ALSO AS IN
OTHER JORDANIAN INSTITUTIONS AND ENTER
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PRICES, TELL IS HIRING INCREASING NUMBER OF WOMEN,
-ARE LESS LIKELY TO SEEK EMPLOYMENT ABROAD.
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